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SUBJECT: MACEDONIA: PARLIAMENT APPROVES NEW GOVERNMENT

REF: SKOPJE 779

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SUMMARY

¶1. (SBU) Parliament easily confirmed on August 26 the new government and work program of VMRO-DPMNE (Internal Macedonian Revolutionary Organization -- Democratic Party for Macedonian National Unity) leader and now Prime Minister Nikola Gruevski. Gruevski's work program focuses on economic development, combating corruption, and EU and NATO membership priorities. The ethnic-Albanian Democratic Union for Integration (DUI) and Party for Democratic Prosperity (PDP) boycotted the entire parliamentary session and held a large peaceful one-hour protest outside parliament. The two-day debate was heated at times; however, Gruevski's speech outlining the government's work program was positive and forward looking. End Summary.

PARLIAMENT APPROVES NEW GOVERNMENT

¶2. (SBU) Late the evening of August 26, the Macedonian Parliament voted 68 to 22 to approve the VMRO-DPMNE-led coalition government and work program for the next four years. All 17 ethnic-Albanian DUI and PDP MPs boycotted the parliamentary session in protest of VMRO-DPMNE's decision not to invite them into the governing coalition. The new government also faced harsh criticism from the out-going ruling party, now the largest opposition party, the Social Democratic Union of Macedonia (SDSM). The tone of the two-day session, however, generally was civil.

¶3. (SBU) DUI and PDP organized a protest outside the parliament building to coincide with the start of the parliamentary session on August 25. Local observers reported approximately 2,000-3,000 protesters, although DUI/PDP claimed 20,000 (highly exaggerated, in our view). Under the theme "Respect the Vote," the demonstrators protested the incoming governing coalition's decision not to invite DUI/PDP into the coalition, despite the fact that they had garnered most of the eAlbanian votes. The protest lasted for one hour and included speeches by the leaders of both parties and other party members. While the speeches contained some harsh rhetoric that harkened back to the 2001 conflict, the protest

remained peaceful.

THE GOVERNMENT PROGRAM

¶4. (U) Gruevski delivered a lengthy speech outlining the government's program on the first day of parliamentary debate. He cited economic development, fighting corruption, democracy building, improving inter-ethnic relations, and EU and NATO membership as key programmatic themes. In this context his speech focused on two key priorities: economic development and NATO and EU integration. The government will seek to accelerate economic growth through a number of reforms and initiatives, including introduction of a flat tax rate of 10 percent, increased liberalization and privatization of the market, disciplined macroeconomic fiscal policies, and an active approach to seeking foreign direct investment. The government set as goals NATO membership in 2008 and the start of EU accession negotiations in 2007. It aims to fulfill EU accession criteria by 2010.

COMMENT

¶5. (SBU) The government's program is far reaching. In addition to economic and Euro-Atlantic integration goals, the governing coalition will combat corruption at all levels of government, reform and improve the judicial system, fully implement the Ohrid Framework Agreement, and increase support for the agricultural sector. Gruevski's speech was positive, not placing blame on the previous government, and calling for all citizens, no matter their political party or ethnicity, to work together for the future of Macedonia.

¶6. (SBU) The successful parliamentary vote on August 26 marks the end of a peaceful, although not always smooth, transition of power following July's elections. The out-going SDSM conceded the election gracefully and, while criticizing the

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new government, has generally acted in a politically mature manner. Internal party politics have dominated SDSM since the election, and their upcoming party convention, planned for the end of September, will include a vote of confidence in party leadership. DUI and PDP, while not happy with the governing coalition outcome and despite some regrettable rhetoric, have expressed their protest largely in a peaceful and democratic manner. The new governing coalition has focused its program and rhetoric on the future of Macedonia, including an emphasis on improved inter-ethnic relations and implementation of the Framework Agreement. Such positive comments were noticeably absent during the campaign period, indicating that the incoming coalition may be making the transition from opposition to a more inclusive, responsible ruling coalition.

WOHLERS